

**THE SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines
ISSUED BY THE STATE BOARD OF ACCOUNTS**

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March 1999

ITEMS TO REMEMBER

MARCH

- March 1: Prove the Fund Ledger and Ledger of Receipts for the month of February to the control of all funds and reconcile with the depository statements. Prove all receipt accounts for each fund to total receipts for that fund. Prove the Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances to the total disbursements of the control account of the Fund Ledger. Prove all expenditure accounts within each program to the total disbursements of that program.
- March 20: Last day to report and make payment of state and county income tax withheld during February to the Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 140, December 1997 "The School Administrator and Uniform Compliance Guidelines".)

APRIL

- April 1: Prove all ledgers for the month ending March 31 as outlined for the month of February.
- April 2: Good Friday - Legal Holiday (IC 1-1-9-1)
- April 15: Last day for the board of school trustees of the school corporation located wholly or partially within the county, which has the greatest taxable valuation of any school corporation in the county to appoint a member of the governing body to serve as a member of the county board of tax adjustment (IC 6-1.1-29-1). IC 6-1.1-29-9 provides that the county council may adopt an ordinance to abolish the county board of tax adjustment. The ordinance must be adopted by July 1 and may not be rescinded in the year it is adopted.
- April 20: Last day to report and make payment of state and county income tax withheld during March to Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 140, December 1997, "The School Administrator and Uniform Compliance Guidelines.")
- April 30: Last day to file federal quarterly report, Form 941, to the Internal Revenue Service for federal and social security taxes for the first quarter.

MAY

- May 1: Prove all ledgers for the month ending April 30 as outlined for the month of February.

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(Continued)

- May 1: School corporations not wishing to renew teachers' contracts (non-permanent teachers) for the 1999-2000 school year shall notify such teachers not later than May 1, 1999 in writing, delivered in person or mailed by registered or certified mail, that such teachers' contracts will not be renewed for the succeeding school year. Any teacher so notified may request a written statement showing reasons for dismissal. (IC 20-6.1-4-14)
- May 20: Last day to report and make payment of state and county income tax withheld during April to Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 140, December 1997, "The School Administrator and Uniform Compliance Guidelines Manual.")
- May 31: Memorial Day - Legal Holiday (IC 1-1-9-1)
- May 31: On or before June 1 and December 1 of each year (or more frequently if the county legislative body adopts an ordinance requiring additional certifications) the school corporation shall certify a list of the names and addresses of each person who has money due from the school corporation to the county treasurer. (IC 6-1.1-22-14).

CONSTRUCTION FUND

If capital outlay expenditures for construction of the school buildings and additions to or alterations of existing school buildings are to be made entirely from capital projects funds, there is no necessity for establishing a construction fund. Disbursements will be made directly from the capital projects fund pursuant to additional appropriations obtained therefor.

In all instances where capital outlay disbursements for construction, additions or alterations of school facilities are to be made from receipts derived from the sale of general obligation bonds or from other sources not derived from present or past tax levies, a construction fund shall be established. Receipt to the construction fund all receipts from sources such as veterans' memorial fund advancements, common school fund advancements as made and federal grants. Also receipt to the construction fund the face value of general obligation bonds sold. Premium and accrued interest derived from the sale of bonds must be receipted to the debt service fund. Make capital outlay payments from the construction fund pursuant to additional appropriations obtained therefor.

If total construction costs of any project are to be paid partially from the capital projects fund and partially from other sources (for example, sale of bonds, and/or veterans' memorial fund loans, common school fund loans, federal grants), you should not transfer any part of capital projects fund balance to the construction fund. The part to be paid from the capital projects fund should be disbursed directly from the capital projects fund, and the remainder of the project costs should be paid from the construction fund.

IC 5-1-2-1 states in part "Appropriations of money from the capital projects fund and the proceeds of bonds, notes and other written obligations issued by . . . any . . . corporation . . . for a specific project shall not lapse at the end of the year in which the appropriation was made, but shall remain in full force and effect without reappropriation until the purpose for which the appropriation was made has been accomplished or abandoned."

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DATA PROCESSING SERVICES BY A BANK

The Indiana Attorney General, in Official Opinion No. 46 of 1966, included the following provisions and conclusions in response to an inquiry concerning a contract between a county hospital and the data processing center of a bank (other than its duly designated depository) for the preparation and use of the bank's official checks for payroll purposes:

1. Contracts entered into must be in writing. Further, it becomes difficult to conceive how the State Board of Accounts could properly consider and approve accounting systems and procedures established by an oral contract.
2. Accounting forms and procedures established in contracts entered into between banks and local officials must be approved by the State Board of Accounts.
3. Contracts of the nature pursuant to the Opinion need not be bid.
4. Officials and board members are required to be made parties to the contract.
5. The local officials and their sureties are liable for misfeasance by the bank or its employees in handling the accounts. The bank constitutes an agent for the official. The official cannot delegate responsibility when he delegates duties.
6. A bank or trust company is not required to be a depository selected under the Public Depository Act for the officers for whom it is acting.
7. In substance, the bank is acting as a local official in performing his duties. Its work belongs to the public. The checks issued by the bank, signed by it, and drawn on its funds belong to the public and the original must be turned over to the local official in his official capacity. (However, please see below.)

All canceled checks must be returned by the bank to the school corporation. IC 5-15-6-3 states in part "... 'original records' includes the optical image of a check ..." The State Board of Accounts is of the audit position both sides of a check are part of the original record. Therefore, both sides of an "optical imaged check" should be available for public inspection and audit. Encoding, printing or bank certification should exist to ascertain that the back side of a check is part of a particular check, ie, endorsements belong to the front side of a check presented.

The contract may provide that the school treasurer shall draw a check or checks to the contracting bank and the bank in turn will write checks on its own funds for and on behalf of the treasurer of the school corporation. The funds to pay any checks outstanding and not cashed for a period of time may remain with the funds of the bank until such time as they are to be returned to the treasurer of the school corporation.

Whenever accounting forms and procedures are in contracts for these services, a copy of the contract together with copies of forms and procedures to be used must be submitted to the State Board of Accounts for approval.

On a few occasions we have found that school corporations have entered agreements with data processing centers other than the data processing center of a bank. If such an agreement is for writing checks, such checks must be on school corporation forms, for the signature of the school corporation treasurer and drawn on the bank account of the school corporation.

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TEMPORARY LOANS

IC 36-1-8-4(a) states in part "The fiscal body of a political subdivision may, . . . by resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

IC 36-1-8-4 (b) states in part "If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer . . . the prescribed period may be extended for not more than six (6) months beyond that budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes . . . a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the . . . resolution to the state board of accounts and the state board of tax commissioners."

Temporary advancements may be made to any depleted fund of the school corporation from the general fund, debt service fund, transportation fund, special education preschool fund or capital projects fund since some of the receipts of these funds are derived from the levying and collection of taxes on property. Receipts of the school lunch fund and textbook rental fund, if handled through the school corporation account, are derived from other operations of the school corporation. Therefore, we would not take audit exception to temporary advancements being made from these funds to any other depleted fund of the school corporation. However, if the school lunch fund and textbook rental fund are handled through an extra-curricular account or accounts, temporary advancements may not be made to a depleted school corporation fund, since the receipts of these funds would be derived from the operation of extra-curricular activities.

Temporary advancements may not be made from the construction fund or from special funds (for example, P.L. 100-297 funds) to any depleted school corporation fund, since these funds are not derived from the collection of taxes or from any operation of the school corporation.

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EXTRA-CURRICULAR ACCOUNTS - EDUCATIONAL FEES, PRIVATE FUNDS

The following should not be collected or receipted to corporation or extra-curricular accounts:

Air Conditioning Fees	Class Fees
Instructional Fees	Bus Rider Fees

Additionally, we have noted the following which are outside of school corporation or extra-curricular records and should only be maintained by private groups or individuals:

PTO	Band Boosters
PTA	Athletic Boosters

IC 20-5-7-2 concerning extra-curricular states in part (a) "The treasurer shall have charge of the custody and disbursement of any funds . . .

- (2) incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . .
- (4) that are not paid from public funds."

(Note that IC 20-5-7-2 does not include any curricular or educational functions).

IC 20-5-2-2 states in part "In carrying out the school purposes of each school corporation, its governing body acting on its behalf shall . . . take charge of, manage, and conduct the educational affairs of the school corporation and to establish, locate, and provide the necessary schools, school libraries, other libraries where permitted by law, other buildings, facilities, property, and equipment therefor." (Our Emphasis)

IC 20-5-3-1(c) concerning duties of the School Corporation Treasurer, states in part: "The treasurer shall be the official custodian of all funds of the school corporation and shall be responsible for the proper safeguarding and accounting for all the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions.

All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. The following items erroneously appear sometimes in funds of the extra-curricular account. Accounting for them should be in the general fund of the school corporation.

Adult Education Fees	Rent of School Facilities
Apples in Education	Science Fees
Art Fees	Shop Fees
Distributive Education	Special Education
Driver Education Fees	Summer School Fees
Equipment Sale or Rental	Supplies
Facilities Rental	Towel Fees (when towels are purchased from corporation funds)
Grants (State Federal and Other)	Typing Fees
Home Economics Fees	Visual Education Fees
Kindergarten Fees	Vocational Education Fees
Library Fines and Fees	Vocational Evening School Fees
Locker Fees	
Night School Fees	

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All educational fees must be receipted to the general fund of the school corporation and included as miscellaneous revenues when preparing the school corporation budget. The anticipated expenditure of these fees for educational materials and supplies should be included in the appropriation for that purpose. Consequently, provision would be made for the furnishing of the materials and supplies by the board of school trustees in the prescribed manner and would not affect the tax rate if the collections are sufficient to offset the expenditures as estimated.

Any dues collected for the support of classes or social organizations shall be receipted to the extra-curricular fund for that organization to support that fund or organization's activities. If a student in a vocational (shop, home economics, etc.) class, voluntarily begins a project for which special materials are necessary and which will result in a product which the student will take home for personal use, an amount equal to the actual cost of the special materials may be collected from the student and receipted to a fund in the extra-curricular account for the specific purpose of providing the special materials. Any extra-curricular fund established for that purpose should contain no balance at the end of the school year since the collections from students equals the expenditures for the materials.

Furthermore, in accordance with the above references to receipts, likewise all disbursements for educational purposes must be made from school corporation funds and not from extra-curricular funds. These include disbursements for building equipment, repairs and maintenance; educational and library materials, supplies and equipment; meeting and conference expense of employees; room air conditioners, typewriters, adders or calculators, copiers; and, the repair and maintenance of same. Curricular and extra-curricular, though associated, are totally separate functions and each has a purpose and authorizing statutes. They must be treated separately.

FORMS - YEAR 2000

A notification has been sent to all printing suppliers to request that on their next printing run to change any prescribed form from 19__ to ____. The change is not a form change and will not change the existing revision date on any form. Feel free to use any existing supplies of forms which have not been revised.

TEXTBOOK RENTAL CALCULATIONS

We are sometimes asked to provide our audit position concerning the calculation of textbook rental fees.

IC 20-10.1-10-2 states in part (a) "Each governing body may purchase from a contracting publisher, at the net contract price or at a subsequent lower price, any textbook adopted by the State Board of Education and selected by the proper local officials, and may rent these textbooks to students enrolled in any public or nonpublic school which is in compliance with the minimum certification standards of the state board of education and is located within the attendance unit served by the governing body, at an annual rental not to exceed twenty-five percent (25%) of the retail price of the textbook."

Therefore, we are of the audit position that up to twenty-five (25%) percent of the retail price of a textbook may be collected annually (which could include actual shipping and handling) for each year of the original six year adoption period. A textbook costing twelve dollars (\$12.00) (which includes shipping and handling) could be recovered at a maximum of eighteen dollars (\$18.00) over the six year period (\$12.00/4, x 6).

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FEDERAL MILEAGE RATE

We understand the Federal mileage rate may be lowered effective April 1, 1999 to 31 cents. You should consult with the Internal Revenue Service for confirmation and possible reporting implications.

OBSOLETE VOLUME

All articles of Volume 105 of "The School Administrator" have now been updated and reprinted in later volumes or are no longer applicable. Thus, Volume 105 which was distributed in March of 1989 may now be deleted from your file.